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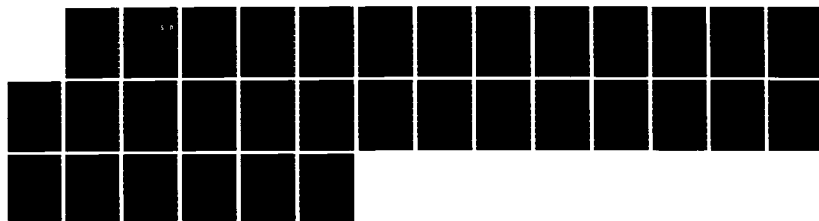
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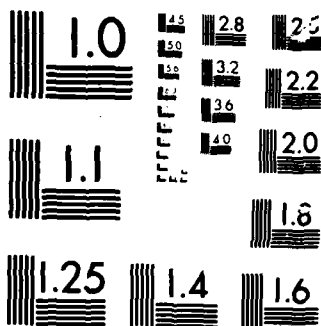
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AIR COMMAND AND STAFF COLLEGE

STUDENT REPORT

OPERATION AND MAINTENANCE BIENNIAL
BUDGETING: IS IT TIME?

MAJOR PHILIP E. TORANGO 86-2555

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IS IT TIME?

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PREFACE

The days of annual Department of Defense (DOD) funding increases appear numbered. As a consequence, it is essential that in an annual appropriation such as Operation and Maintenance (O&M), financial managers must have time to develop and execute an effective financial game plan to get the most from the funding provided. Recent congressional budget reviews have often not been completed until December or three months into actual execution. Biennial budgeting has been proposed as a way to solve this problem. This paper reviews biennial budgeting from an O&M perspective; its history, current congressional proposals--pros and cons, and impacts on the DOD Planning, Programming, and Budgeting System (PPBS).

The author wishes to express his appreciation to some of the many people who assisted in this project. Thanks are extended to Mr Jacob Baker, HQ USAF, who sponsored this project. The author is also indebted to Colonel James Wallace, Mr Dennis Bryson, and Mr John Lang, all of the Air Force Directorate of Budget, for the information and advice they provided. Finally, the author thanks Major Mack Foster of the ACSC staff for his advice and constructive feedback.



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ABOUT THE AUTHOR

Major Torango received a Bachelor of Arts Degree in Economics from Westmont College and a Master of Business Administration Degree from Golden Gate University. He entered the Air Force as an accountant in 1970 and subsequently went to Officer Training School where he was commissioned in 1973. After commissioning, Major Torango has served in the budget field at the base, major air command, and Air Staff levels. Prior to attending Air Command and Staff College, he served as a budget staff officer at Headquarters USAF working in the Operation and Maintenance appropriation. While at Headquarters USAF, Major Torango was the recipient of the 1983 National Budget Distinguished Performance Award by the American Society of Military Comptrollers.

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EXECUTIVE SUMMARY

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86-2555

AUTHOR(S)

MAJOR PHILIP E. TORANGO, USAF

TITLE

OPERATION AND MAINTENANCE BIENNIAL
BUDGETING: IS IT TIME?

I. Problem: The problem to be examined is whether or not use of biennial budgeting can improve Operation and Maintenance (O&M) budget execution. The thesis is that something must be done to enable Congress to perform its budgetary role in a timely manner thereby decreasing execution uncertainty. Failure to resolve this problem will cause less than optimum financial decisions and higher costs.

II. Objectives: The objective of this paper is to provide a brief history of biennial budgeting; a synopsis of biennial budgeting alternatives; biennial budgeting pros and cons; and impacts on the DOD Planning, Programming, and Budgeting System (PPBS) from an O&M perspective. Recommendations are also presented.

III. Data: Biennial budgeting to date has been a state phenomenon and is currently used by 21 states. The General Accounting Office (GAO) studied state biennial budgeting as it is currently practiced in Florida, Ohio, and Wisconsin. The GAO found that biennial budgeting can work in a timely and effective manner. Four biennial budgeting bills were introduced during the 98th Congress. The primary motive for each bill was to establish a budgetary process that provides increased time for congressional oversight and budget action. Two significant biennial budgeting actions occurred during the 99th Congress: the FY 1986 Defense Authorization Act directed the fiscal year 1988 DOD budget

CONTINUED

submission cover the 1988/89 biennium; and the Senate Armed Services Committee staff report, Defense Organization: The Need for Change, was issued which supported implementation of biennial budgeting. Biennial budgeting advantages (pros) emphasize the time gained by both Congress and O&M financial managers, knowledge of funding levels before the start of the fiscal year, and reduced operating costs derived because of the longer contracting period. Principal biennial budgeting disadvantages include: reduced reliability of budget estimates, reduced ability to react to political and/or economic conditions, and a probable increase in the use of supplemental appropriations and reprogramming requests. Implementation of biennial budgeting can be easily accommodated within the PPBS. Budget formulation changes focus on modifying congressional justification materials to add an additional fiscal year and the impact on inflation rate calculations. Biennial budgeting execution changes center on changing the accounting period from 12 to 24 months.

IV. Findings: The benefits of biennial budgeting outweigh the disadvantages from both a congressional and an O&M perspective. The Congress loses some short-term flexibility but gains time to work both budget and non-budget issues. The O&M appropriation may experience reduced reliability of budget estimates but gains more timely and stable funding, thereby improving overall budget execution. Implementation of Senator Roth's biennial budgeting proposal would maximize biennial budgeting advantages.

V. Conclusions: Implementation of biennial budgeting will improve O&M budget execution by enabling the Congress to perform its budgetary role in a timely manner. The Armed Services Committees have recognized this potential and have taken an initial step by requiring DOD to submit a biennial budget for fiscal years 1988 and 1989 (authorization only). However, until Congress also adopts biennial appropriations, all the benefits offered by biennial budgeting will not be obtained.

VI. Recommendations: The Deputy Director of Budget for Operations (AF/ACBO) must ensure that the Directorate of Budget representative to any DOD Comptroller/tri-service meetings to establish ground rules and procedures for preparing the fiscal year 1988 and 1989 biennial budget is knowledgeable of the O&M position. In the longer term, AF/ACBO should support implementation of Senator Roth's biennial budget proposal as it best maximizes biennial budgeting advantages.

Chapter One

INTRODUCTION

Background of the Problem

The Operation and Maintenance (O&M) appropriation is a one-year appropriation that funds the day-to-day operating costs of the Air Force. These costs include: pay of civilian personnel, temporary duty travel, rents and utilities, contract services, maintenance of equipment and real property, purchases of supplies and equipment, etc. (8:31). The FY 1986 President's Budget submission included \$20.9 billion for the active O&M appropriation (6:Table C-6). These funds are widely distributed going initially to 35 commands and separate operating agencies. They are in turn reissued to 1,200 operating budget accounts and 45,000 responsibility center/cost centers (11:6). As can be seen by the broad scope and size of the O&M appropriation, it is diverse and complex.

Limiting O&M execution is the fact that the O&M appropriation can only incur new obligations for the fiscal year for which it is authorized and appropriated. It is essential that financial managers know their annual funding as early as possible, preferably before the start of the fiscal year, so that they can develop an orderly execution plan. However, Congress in recent years has been unable to meet its own schedule for reviewing federal budget submissions established in the Congressional Budget Impoundment Control Act of 1974 (see Tables 1 and 2). As a consequence, the Department of Defense (DOD) has recently had to finance its operations at the beginning of each fiscal year under a continuing resolution authority (CRA) or stopgap financing.

Use of CRAs delays giving commands and their financial managers their real or definitive annual funding programs until after Congress enacts the DOD appropriation act. Table 2 shows how slow Congress has been in enacting DOD appropriation acts; generally taking until December, or three months into the fiscal year. Processing time is required at both the Air Staff and the commands to distribute funding, so it is usually February before these financial managers have their real annual funding.

These lengthy delays adversely affect O&M execution. First, commanders and their financial managers are forced to absorb full annual reductions in only two-thirds of the fiscal year or less. This means that the commander has to take reductions in areas that he might not if he were taking them on 1 October. Secondly, many financial decisions are deferred until the real annual program is received. This often results in increased prices (12:--). Very simply, congressional budgetary delays create uncertainty at all levels of financial management which in turn causes decreased execution flexibility.

Statement of the Problem

The problem to be examined is whether or not use of biennial budgeting can improve O&M budget execution. The thesis is that something must be done to enable Congress to perform its budgetary role in a timely manner thereby decreasing execution uncertainty.

The consequences of not resolving this problem are significant. Less than optimum financial decisions and higher costs will result. This is a situation that cannot be tolerated as future DOD budgets are not anticipated to contain significant real growth (2:36).

Objective of the Study

The objective of this study is to provide a brief history of biennial budgeting; a synopsis of biennial budgeting alternatives; biennial budgeting pros and cons; and impacts on the DOD's Planning, Programming, and Budgeting System (PPBS) from an O&M perspective. Finally, recommendations will be presented.

TABLE 1
CONGRESSIONAL BUDGET PROCESS

Deadline	Action to be completed
15th day after Congress convenes	President submits his budget, along with current services estimates.
March 15	Committees submit views and estimates to Budget committees.
April 1	Congressional Budget Office (CBO) submits report to Budget committees.
April 15	Budget committees report first concurrent resolution on the budget to their Houses.
May 15	Committees report bills authorizing new budget authority.
May 15	Congress adopts first concurrent resolution on the budget.
September 7th day after Labor Day	Congress completes action on bills providing budget authority and spending authority.
September 15	Congress completes action on second required concurrent resolution on the budget.
September 25	Congress completes action on reconciliation process implementing second concurrent resolution.
October 1	Fiscal year begins.

Source: Department of the Air Force, Directorate of Cost and Management Analysis, The Air Force Budget Fiscal Year 1986 (Washington DC), Table A-1, pp. A-1.

TABLE 2
DATES OF ENACTMENT
DEPARTMENT OF DEFENSE APPROPRIATION ACTS
FY 1977 - FY 1986

Fiscal Year	Effective Date	Public Law Designation
1977 ¹	22 September 1976	P.L. 94-419
1978	21 September 1977	P.L. 95-111
1979	13 October 1978	P.L. 95-457
1980	21 December 1979	P.L. 96-154
1981	15 December 1980	P.L. 96-527
1982	29 December 1981	P.L. 97-114
1983	21 December 1982	P.L. 97-377
1984	8 December 1983	P.L. 98-212
1985	12 October 1984	P.L. 98-473
1986	9 December 1985	P.L. 99-190

¹ Fiscal Year changed to 1 October - 30 September vice
1 July - 30 June.

Sources:

1. Department of the Air Force, Directorate of Cost and Management Analysis, The Air Force Budget Fiscal Year 1986 (Washington DC), Table A-2, pp. A-2.

2. Mr David Roberts, Budget Analyst, Headquarters USAF, Directorate of Budget (19:--).

Chapter Two

BIENNIAL BUDGET BACKGROUND AND CURRENT CONGRESSIONAL PROPOSALS

The State Experience

Biennial budgeting to date has been a state phenomenon and is currently used by 21 states (10:3). The General Accounting Office (GAO) has studied state biennial budgeting in depth for the Congress as it is currently practiced in Florida, Ohio, and Wisconsin (13:--). With minor exceptions, all three states use similar schedules, legislative oversight philosophies, and budget adjustment mechanisms.

Key dates and events in the Florida, Ohio, and Wisconsin biennial budget process are highlighted (13:4).

-- Each state's fiscal year runs from 1 July through 30 June.

-- Budget formulation starts 12 months prior to the start of the fiscal year (June or July of each even-numbered year) with the issuance of the budget call or preparation instructions.

-- State agencies submit their budget requests to their state budget office no later than October or November of each even-numbered year.

-- Each governor submits his budget request consisting of two one-year appropriations to the state legislature in January or February of each odd-numbered year.

-- All legislative budget deliberations are completed by 30 June of each odd-numbered year.

-- The new biennium starts 1 July of each odd-numbered year.

Legislative oversight philosophies for these states are just as consistent as their schedules. Oversight is conducted during the entire biennium. During the budget year, oversight is focused on hearings and agency performance.

reviews. More time consuming activities such as studies and reports are conducted during off-budget years (13:8,9).

Budget adjustment mechanisms for these states are primarily limited to transfers between accounts or agencies (13:6-8). In essence, they operate exactly like a base or command financial management board with a fixed amount of resources trying to ensure that they are properly distributed to solve the most critical problems.

States such as Florida, Ohio, and Wisconsin have shown that biennial budgeting can work in a timely and effective manner.

Current Congressional Proposals

Four biennial budgeting bills were introduced during the 98th Congress. Sponsors of these bills were: Representative Panetta, Senator Cochran, Senators Quayle and Ford, and Senator Roth. The primary motive for each bill was to establish a budgetary process that provides increased time for congressional oversight and budget action (10:5). A synopsis of each proposal follows.

Representative Panetta--H.R. 750. This proposal provides for two-year budget authorizations and appropriations. It also provides for the establishment of a one-year congressional oversight period to be followed in the second year by review of the President's budget submission. This proposal provides Congress an additional three to five months to complete its budget reviews compared to its current schedule (10:5).

Senator Cochran - S. 922. The key feature of this proposal is that it would provide for a two-year authorization. Annual appropriations would be retained (10:11).

Senators Quayle and Ford - S. 12. This proposal establishes a unique two-year budget cycle; authorizations would be approved in even-numbered years and appropriations would be approved in odd-numbered years. Congressional oversight would be conducted throughout the biennium (10:6;3:--).

Senator Roth - S. 20. This proposal provides for two-year budget authorizations and appropriations. This proposal requires congressional review of the President's budget submission during the first year of each Congress and leaves the second year for oversight. This proposal would also change the start of the fiscal year from 1 October to 1 January (10:6).

99th Congress - Biennial Budget Actions

The FY 1986 Defense Authorization Act directed that the fiscal year 1988 DOD budget submission cover the 1988/89 biennium. No congressional direction was provided as to a specific biennial budget option that should be used; DOD has the option (4:168). Initial direction from the DOD Comptroller's Office (OASD(C)) is to show two separate fiscal years; a budget year (FY 1988), and a budget year plus one (FY 1989) (20:--). Current indications are that the Appropriations Committees prefer to continue annual appropriations and will not move to adopt biennial budgeting in the immediate future (1:44). This would be the same approach as proposed by Senator Cochran.

Subsequent to the FY 1986 Defense Authorization Act, the Senate Armed Services Committee issued its staff report, Defense Organization: The Need for Change. This report supports implementation of biennial budgeting as a part of a series of DOD and congressional changes. No recommendations were made as to which specific biennial budget option should be selected (5:607,611).

With a basic understanding of the state biennial budgeting process and current biennial budgeting proposals, the next chapter will discuss the pros and cons of biennial budgeting.

Chapter Three

PROS AND CONS OF BIENNIAL BUDGETING

A change to biennial budgeting would have both positive and negative features, pros and cons, that must be identified as a part of the decision making process. All of the pros and cons identified below apply to the O&M appropriation while many are also relevant to other appropriations. The following sections analyze biennial budgeting pros and cons in depth.

Pros

All biennial budget proposals would provide Congress more time to consider and review budget issues. As shown in Table 2, Congress recently has been unable to approve DOD appropriation acts prior to the start of the fiscal year. This situation frustrates the Congress as well as the Services. The recent Senate Armed Services Committee (SASC) Staff Report, Defense Organization: The Need for Change, discussed this problem and concluded that

Congress is trying to fit too many activities into too little time. Any delay in one step creates a domino effect later in the year. The budget resolution is taking longer to adopt This delays consideration of the authorization bill which in turn delays consideration of appropriations bills and forces Congress to resort to continuing resolutions for spending measures Congress fails to meet its deadlines because it has too much to do, and the newcomer in the system--the budget process--is increasingly taking too much of the precious legislative time of Congress (5:580,581).

Under a biennial budget process, Congress would be able to conduct a more logical and systematic review of all legislation as well as budget legislation.

The increased number of congressional committees and subcommittees has created workload scheduling problems. The Senate's Temporary Select Committee on Committees discussed this problem: ". . . When senators acquire additional committee and subcommittee commitments, it becomes

increasingly difficult for them to attend all of the meetings scheduled for each of their panels (5:579)." Two-year or biennial budgeting would relieve this problem by providing more time for committee meetings, thereby creating a more balanced workload and hearing schedule.

Another workload scheduling problem is finding time for members to conduct policy oversight and review of management issues. Representative Panetta's and Senator Roth's biennial budgeting proposals would provide an off year when there would be time to conduct hearings and/or orientation visits. Today this is difficult to accomplish when the Congress continually postpones adjournments to complete its legislative agenda. Today's orientation and fact-finding trips are primarily conducted by professional staff members or the House Appropriations Committee (HAC) Surveys and Investigations personnel, not the member. This does not have the same impact that in-person member trips do; information provided second-hand to the member does not properly tell the O&M story (22:--).

When Congress does not pass appropriation legislation prior to the start of a fiscal year, it passes a CRA to finance the agencies' operations until it can pass an appropriations bill (7:42). CRAs are usually equal to the last year's funding level which is generally less than will be appropriated. New program starts or funding of contentious programs (programs where there is a possibility Congress will disapprove funding) are not allowed and are placed on hold. Here again, by providing more time for Congress to review and approve appropriating legislation, biennial budgeting can, hopefully, eliminate the recurring reliance on CRAs to finance DOD activities.

The author believes that biennial budgeting would reduce DOD and Service appearances before the Congress as well as eliminating the need for significant amounts of justification materials provided to the Congress. To support FY 1986 Air Force O&M funding requests, a 621-page justification book was sent to the Congress (17:--). Substantial additional justification data was also provided to the Congress in the form of speeches, responses to requests for information, and inserts for the record. Preparation of this data takes many months by all Air Staff budget analysts. This data would only be required every other year under biennial budgeting. The time freed-up would be available for execution analysis or other previously deferred tasks.

Biennial budgeting would provide increased funding stability for the Services by authorizing and appropriating funds for two years vice the current one-year period. Resource managers would benefit by having a two-year program thereby enabling them to plan and execute accordingly.

First, the longer two-year contract period would save O&M funds because vendors would be able to submit lower bids based on the longer contract period.

Secondly, the seasonal aspects of the bona fide need rule for facility projects would be simplified and potential R.S. 3679 (Anti-Deficiency Act) violations would be reduced. The bona fide need rule as applied to facility projects requires that a contractor actually start work on a facility project within 90 days after the close of a fiscal year for the project to be obligated against the fiscal year in which the contract is awarded. If the contractor cannot start work on the project prior to 1 January, then the facility project is to be funded from the next year's funds (14:--). If biennial budgeting were implemented, there would be a two-year period during which facility projects could be awarded; there would be less pressure to spend money quickly prior to year end and consequently more orderly execution would result.

The final execution benefit would be better utilization of available O&M funding. Obligations would be more "solid"; that is, they would either be already paid or based on actual vendor contracts by the end of the biennium. This would decrease prior year deobligations or "fallout" and thereby keep prior year unobligated balances low (21:--).

Cons

Biennial budgeting has several negative aspects that must be considered. Implementation of biennial budgeting would reduce the level of short-term congressional budgetary control. Annual authorization and appropriation provides Congress a means to stay abreast of the DOD budget. The SASC staff report on defense organization highlighted this point: "The intent of annual authorizations requirements was to reduce the area of discretionary power of the Office of the Secretary of Defense (OSD) and to strengthen legislative control of programs (5:576)." It will be difficult for Congress to discontinue their annual review of DOD budgets.

Biennial budgeting would provide time for Congress to conduct policy oversight and review management issues (see Pros). There is a potential for congressional abuse which could result in increased micromanagement. Congress currently engages in significant micromanagement of DOD programs (5:591-593) and they might not be able to change their ways.

Reliability of budget estimates under biennial budgeting would be reduced. The more time between preparation of a budget estimate and actual budget execution, the greater the likelihood of error. The result could be two years of

funding problems for a program rather than one year as is currently the case.

Congressional and presidential ability to react to changing priorities or world situations would be decreased under biennial budgeting. O&M funding is inflexible in the short-run (during execution). This is because 85 percent of all O&M expenses are fixed or fund "must-pay" bills such as civilian pay, utilities, or flying hour support (11:10). By changing from annual to biennial appropriations, the Services become more committed or "locked-in" to programs and funding levels, thereby making it more difficult to react to economic or political changes.

Biennial budgeting could increase the requirement for supplemental appropriations and reprogrammings. Supplementals and reprogrammings would become the relief valve for the bad budget estimates and changed political and/or economic conditions mentioned in the preceding paragraphs. Increased transfer authority would be needed by DOD to support a higher number of reprogrammings.

If biennial budgeting is implemented, the DOD-Comptroller (ASD(C)) will most likely implement a mid-biennium formal review. Such a review would be similar to the formal budget revisions required by some MAJCOMs in the early 1970s. Combining a mid-biennium formal review with the demands of preparing and justifying an increased number of supplemental and reprogramming requests will significantly increase OASD(C) and Air Force Budget workloads without additional staff (15:--).

The newest problem for biennial budgeting is the recently enacted Gramm-Rudman-Hollings Balanced Budget Amendment. This law requires annual analyses of the FY 1987 through FY 1991 President's Budgets to see if the budgets meet the legislated deficit targets (12:--). If the entire federal government goes to biennial budgets, the Gramm-Rudman-Hollings annual deficit targets can be easily converted to biennial targets. If only DOD were to implement biennial budgeting, DOD would be the only federal agency not consistent with the annual provisions of Gramm-Rudman-Hollings. This could cause problems. The next chapter discusses changes that would be required to the DOD's Planning, Programming, Budgeting System (PPBS) to implement biennial budgeting.

Chapter Four

BIENNIAL BUDGETING IMPACTS ON THE PLANNING, PROGRAMMING, AND BUDGETING SYSTEM (PPBS)

The DOD PPBS is a flexible, durable budget formulation and resource management system. PPBS was implemented within the DOD by Secretary of Defense Robert McNamara in 1961. This system, while having been modified many times since its inception, is still extremely effective (5:483-486). Implementation of biennial budgeting can be easily accommodated within the PPBS. The following paragraphs identify the changes that would be required to implement O&M biennial budgeting.

Budget Formulation

The most visible PPBS change required by biennial budgeting would be to modify congressional O&M justification books to include an additional year of data. Current O&M justification books explain program and pricing changes from the just completed prior fiscal year to the current execution year, and then to the next year or budget year. Under most of the biennial budgeting proposals, the budget year would be simply changed to a biennium. Senator Cochran's biennial budgeting proposal would provide a two-year authorization but retain annual appropriations and would consequently require a slightly different adjustment. Explanations would be provided for changes from the current year to the budget year as is currently done and then again from the budget year to the budget year plus one. Format headings would look as follows:

- Current

<u>Prior Fiscal Year</u>	<u>Current Year</u>	<u>Budget Year</u>
1985	1986	1987

- Two-Year Biennium

<u>Prior Fiscal Year</u>	<u>Current Year</u>	<u>Budget Biennium</u>
1985	1986	1987-8

- Senator Cochran

<u>Prior Fiscal Year</u>	<u>Current Year</u>	<u>Budget Year</u>	<u>Budget Yr +1</u>
1985	1986	1987	1988

Either option is do-able although selection of Senator Cochran's proposal would add significantly to the length of the justification materials as well as requiring more preparation time. Command financial plan and operating budget submissions to the Air Staff would be changed accordingly (9:52-68).

Minor changes would be required to the Air Staff's Force and Financial Plan (F&FP) computer data base to implement biennial budgeting. Computer programs and lookup tables would need modification to change from fiscal years to fiscal bienniums. Inflation calculation programs would also have to be modified. These changes can be easily made (16:--).

Biennial budgeting would require a modification of the stabilized pricing policy used by the Air Force Stock (AFSF) and Industrial Funds (AFIF). Price stabilization factors (rates) are established during preparation of the DOD President's Budget and are provided by the AFSF and AFIF to their customers, such as the O&M appropriation, for use in developing their own budgets. Prices are currently only set or stabilized one year into the future. Biennial budgeting would require stabilization of prices for a second year (21:--).

Execution

Biennial budgeting would require one significant change to the Accounting System for Operations which is used to account for all O&M execution transactions; the accounting period would have to be changed from 12 months to 24 months. Currently, there is both a fiscal year and a program year descriptor used in the accounting system (16:--). The author proposes that only a program year code be used to designate the fiscal biennium. Program year would be defined as the year in which Congress authorizes and appropriates the funds. This would get people away from using the term fiscal year, which would no longer exist and would also save computer file space (16:--).

Related to the above change would be a one-time mass update of all financial regulations and manuals to reflect the change to a two-year biennium vice annual appropriations.

Biennial budgeting would necessitate a formal mid-term execution review with OASD(C) (18:--). Such a move would add to current efforts to place more emphasis on budget execution possibly to the extent of creating a "PPBES" with F equalling

execution. PPBS has often been criticized as being a forward looking system focusing on preparing future budgets (5:505,506). Emphasizing execution oversight would increase congressional and taxpayer confidence that Air Force O&M funding is being prudently spent. The next chapter will discuss whether O&M biennial budgeting will work.

Chapter Five

WILL O&M BIENNIAL BUDGETING WORK?

Findings

The Congress' inability to meet their own budget review schedules has reached the point where changes are required to restore discipline and stability to the budget process. Congress itself is proposing changes to improve the situation: the Gramm-Rudman-Hollings Balanced Budget Amendment; the Senate Armed Services Committee Staff Report, Defense Reorganization: The Need for Change, includes recommendations for congressional change as well as DOD changes; and the FY 1986 DOD Authorization Act directed submission of a biennial budget for fiscal years 1988 and 1989. The question is will O&M biennial budgeting really work? If so, which proposal would be best for O&M?

To answer the above questions, it is necessary to return to the pros and cons of biennial budgeting. They can be analyzed from two perspectives; from the congressional point of view and the O&M point of view.

Congress gains much from biennial budgeting. Tangible advantages include: more time for budget review, increased time for congressional oversight, improved committee scheduling, reduced use of CRAs, and Congress would have more time for non-budget matters. Congress would also benefit intangibly by increased public support by meeting its budget schedule.

Negative factors from the congressional perspective include: reduced short-term budgetary control, the possibility of less reliable budget estimates, a reduced ability to react to changing political and/or economic conditions.

From the congressional perspective, the advantages may outweigh the disadvantages. Congress loses some short-term flexibility but gains time to accomplish both budget and non-budget issues.

O&M would also benefit from biennial budgeting. Pros include: knowing funding levels prior to the start of the fiscal period, reduced use of CRAs, reduced operating costs,

reduced prior year deobligations, reduced bona fide need rule problems, and reduced appearances before Congress.

Negative factors for O&M include: reduced reliability of budget estimates, reduced ability to react to political and/or economic conditions, a probable increase in the use of supplemental appropriations and reprogramming requests, and a likely OASD(C) mid-biennium formal review.

Here again the benefits of biennial budgeting appear to outweigh the disadvantages. The cons can all be lived with if an increased number of supplemental appropriations and reprogramming requests are permitted.

On balance, biennial budgeting benefits both Congress and the O&M appropriation. The remaining question is which biennial budget proposal would be best for O&M?

The author believes the least effective option is Senator Cochran's. It is really a halfway proposal providing a two-year authorization, but retaining annual appropriations. This proposal would require significant annual actions and investment of time by both Congress and the DOD.

The next most ineffective option, in the author's opinion, belongs to Senators Quayle and Ford. They propose having two-year authorizations and appropriations, but in alternating years. This proposal also requires significant annual actions and investment of time by both Congress and the DOD.

Representative Panetta's proposal and Senator Roth's proposal are both very similar. They both propose two-year authorizations and appropriations as well as setting aside an off-budget year for oversight. There are two differences in the proposals. First, which year oversight versus budget action takes place; the first year or the second year. And, secondly, a change in the start of the fiscal year. The author favors Senator Roth's proposal because it calls for budgeting to occur in the first year and for oversight to follow in the second year. Representative Panetta's proposal would place all congressional budget decisions into an election year, which would promote inaction and avoidance of tough decisions.

Conclusions

Implementation of biennial budgeting will improve O&M budget execution by enabling the Congress to perform its budgetary role in a timely manner. The Armed Services Committees have recognized this potential and have taken an initial step by requiring DOD to submit a biennial budget for fiscal years 1988 and 1989 (authorization only). However,

until Congress also adopts biennial appropriations, all the benefits offered by biennial budgeting will not be obtained.

Recommendations

In the short run, the Deputy Director of Budget for Operations (AF/ACBO) must ensure that the Directorate of Budget representative to any OASD(C)/tri-service meetings to establish ground rules and procedures for preparing the fiscal year 1988 and 1989 biennial budget is knowledgeable of the O&M position. Specific areas of concern include: biennial budgeting pros and cons, impact on the PPBS, and which biennial budget proposal would be best for O&M.

In the long term, AF/ACBO should seek implementation of Senator Roth's biennial budget proposal. This option best maximizes biennial budgeting benefits of all the proposals currently under consideration.

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